This paper is based on a talk given by Professor Uzawa on the occasion of the 90th anniversary of the Japanese Forestry Society.

The concept of social common capital has existed as an undercurrent in the discipline of economics as far back as Adam Smith, but I believe I was the first to coin the term “social common capital”. So, I would like to begin by explaining what I mean by social common capital.

The concept of social common capital was in all likelihood born in Japan, but it is fast emerging as one of the pivotal economic concepts of the twenty-first century. And the single most important component of social common capital is the forest. For this reason, it makes me doubly glad to have the opportunity to speak on the subject of forests as social common capital.

The twentieth century has been termed the century of capitalism and socialism, among other things. The conflict and rivalry between these two inimical economic systems has threatened international peace and caused great pain and suffering in various parts of the world. Moreover, the turmoil witnessed during the final decades of the twentieth century gave new meaning to the concept of fin-de-siècle upheaval. Now, as we strive to transcend that conflict and clear the way for a new era in the twenty-first century, institutionalism has re-emerged as the most useful approach to economics. At the heart of institutionalism lies social common capital.

There are two historical documents that perfectly embody the trends of the twentieth century. One is the encyclical of Pope Leo XIII, Rerum Novarum, meaning “of new things” and sometimes translated by Japanese Catholics as Kakumei or “Revolution.” An encyclical is a document, distributed to bishops all over the world, in which the Pope defines and analyzes the most important issues facing the world at that time. At least one encyclical, although it can be many more, is issued during a papacy, outlining the official public stance of the Roman Catholic Church.

In the Rerum Novarum (with the theme “abuses of capitalism and illusions of socialism”), Leo XII discussed at length the evils of capitalism, revealing how in many countries, especially in Europe, the capitalist classes mercilessly exploited the workers and the masses in the greedy pursuit of personal profit, and noting how exploitation of the masses in England’s new industrial cities had reduced the common people, and especially the children, to wretched and impoverished lives.
Leo XIII also pointed out, however, that the idea that socialism would solve these problems, a notion current among many people at that time, was a grave mistake; he insisted that, to the contrary, even more serious problems were inevitable under socialism. In this historic document, the Pope explained at length the dangers of socialism, arguing that it was a denial of what made human beings human. He insisted that it was necessary instead for the classes to work together to find a solution transcending the dichotomy between capitalism and socialism.

Unfortunately, the twentieth-century world ignored the admonitions of Leo XIII. Beginning with the Russian Revolution of 1917, one country after another became a socialist country until at one point one-third of the world’s population was under socialist rule. On 15 May 1991, a century after Pope Leo XIII’s *Rerum Novarum*, Pope John Paul II issued a new “rerum novarum” on the theme “abuses of socialism and illusions of capitalism.” This was a critical moment in history. The Berlin Wall had just fallen, and a number of Eastern European countries had emerged from Soviet dominance and were engaged in building new nations, but the Soviet Communist Party and the Soviet State itself remained intact.

In his new “rerum novarum,” John Paul II was sharply critical of the socialist regime under the leadership of the Soviet Union. He enumerated the evils it had perpetrated: it had degraded the environment, fragmented the economy, laid cultures to waste, and ridden roughshod over basic human rights. But he also stressed that it was a great mistake simply to assume, as so many did, that capitalism would solve all these problems. John Paul II reminded everyone that capitalism had its own problems and, to illustrate the point, he provided a detailed analysis of the deplorable state of American capitalist society.

John Paul II, of course, is a Pole who lived through 40 hard years of Soviet domination, struggling against oppression and risking his own life to protect the human spirit in an oppressive communist Russian rule. After he became Pope, he left Poland for the first time to travel to the Vatican. Liberal in his thinking, John Paul II called on economists to consider solutions to the problems facing the world.

In fact, I myself was called on to assist the Pope in drafting his new “rerum novarum,” and I felt deeply honored when I later discovered that it was the first time in the Roman Catholic Church’s 2000-year history that someone outside the church had contributed to the drafting of a papal encyclical. This new “rerum novarum” also expounded on the need to transcend both the evils of socialism and the illusions of capitalism and seek the kind of economic and social system that protects the human dignity of all, fosters an independent spirit, and guarantees the civil rights of every individual.

Just a few months after the new “rerum novarum” was issued, the August revolution brought down the Soviet Communist Party, and by the following December the situation had progressed to its historic climax, the dissolution of the Soviet Union itself. It seems to me that the new “rerum novarum” may well have played a role in hastening these developments.

John Paul II has long lamented such global environmental problems as climate change and for that reason has repeatedly stressed the importance of preserving the earth’s forests. To my mind, therefore, the concept of social common capital is in one sense a response to the challenge put forth by John Paul II. Simply put, social common capital refers to the social infrastructure and systems as well as the natural environment that allows the people living in a country or a region to carry on decent lives, create and preserve a rich and refined culture, and support a society congenial to human happiness and fulfillment in a stable and sustainable manner.

Social common capital and the environment

To illustrate the concept in more concrete terms, forests, rivers, oceans, and other aspects of the environment are essential social common capital, as are such social infrastructure as roads, public transport, and various energy facilities. Education, health-care, justice, financial, and other forms of institutional capital are also considered social common capital. As a whole, these could be described as institutions or resources that make possible a society where human dignity is respected, and where people can remain independent in spirit and enjoy civil life to the full.

Economically, social common capital can be approached from a number of different angles. This is perfectly illustrated by forests, which are made up primarily of trees and provide a habitat for wildlife and a place where mushrooms can grow, for example. Until now, the standard approach of economics has been to measure the value of a forest in terms of the profit to be made by cutting down the trees and selling the timber. But a forest also plays an extremely important role in the lives of the people in and around it in respect to agriculture, cultural activity, and so forth. For this reason, it is a mistake to measure the value of a forest according to the traditional economic, or capitalist, approach of assessing how much the lumber will sell for on the market.

Forests have a multitude of functions. For example, various microorganisms in the soil purify the rainwater when it soaks into the ground. That underflow water becomes river water that enriches people’s lives and keeps the environment beautiful. To approach the forest as social common capital is to assess all its functions and then decide how best to manage and maintain them from a social standpoint, not simply for the present generation but for our children as well.

For several years, now, students at the United Nations University Institute of Advanced Studies have come to Japan, where I have supervised them as they finish their PhD dissertations. One of these was an excellent student from Brazil, and his doctoral dissertation was on this very theme. In the pharmaceutical industry, which is now centered in the USA, it seems that when a company is developing a new drug, it often sends an expert to visit one of the indigenous tribes living in or near the Amazon rainforest.